
The private label predicament

The surge in popularity of own-brand products has been matched by improvements in their packaging, leaving brand owners increasingly concerned about the risk of lookalikes. WTR examines how the marketplace is evolving and the future challenges for brand owners

Not so long ago, own-brand products were easy to spot on supermarket shelves. Also known as private label, home brands or store brands, they focused primarily on basic foodstuffs and were distinguished by their utilitarian packaging. Today, things look – literally – very different, with many private label products packaged as colourfully as leading brands. There has also been a sea change in how own brands are marketed to customers, with an emphasis on quality and choice as well as cost. But while this evolution makes for a more diverse shopping basket for own-brand aficionados, it has also caused consternation for market-leading brands. Many in-house counsel view private label as an increasingly serious threat and take a dim view of lookalikes that are overly similar to their own products. Determining when a particular product has sailed too close to the wind is a challenge for trademark counsel on both sides of the fence, and the complexity of the issue is exacerbated by the fact that private-label purveyors are often simultaneously the leading brands' biggest customers.

The rise and rise of private label

Own-brand is enjoying a surge in popularity around the globe. In Australia, the proliferation of private-label products has been dramatic: up 85% in the past five years, they now make up almost one-quarter of the entire grocery spend. Meanwhile, in the United States, the home-brand share of household spending has been rising steadily over the past decade, from 18% in 2000 to 27% in 2011. And both jurisdictions still have some way to go to catch up with the United Kingdom, where around 45% of all food and beverage spend is estimated to go on home brands. The UK market for own-label food and drink products is today worth some £37 billion – a 24% increase since 2006 – and last year, for the first time, more private-label products were launched than genuine brands.

Private label is no longer confined to foodstuffs, as the range of products available under the own-brand umbrella has also expanded. Basic consumables such as flour and butter continue to do well, but store brands now encompass beauty products,

medicines, homeware, fast-moving consumer goods and more. Alcoholic beverages are a relatively new addition to the range: generic alcohol was often overlooked in the past because consumers remained loyal to their favourite brands. This has changed in recent years, however – exemplified by the fact that one of the most high-profile lookalike cases in recent years involved Sainsbury's version of iconic British summertime tippie Pimm's.

Driving the trend: consumer choice

Price will always play its part in influencing where consumers choose to spend their hard-earned cash, particularly as the global economy remains stagnant. But cost is only one factor; and the trend towards private label pre-dates the current recession. Meanwhile, the quality of own-brand offerings has undoubtedly improved. Sainsbury's is one of the biggest UK supermarkets and is keen to highlight the quality of its private-label goods. "It's key that customers trust our brand, and at Sainsbury's all own-brand products are tested for taste and ease of cooking to ensure our customers will be delighted with their purchase," says a representative. "We also look at salt, fat and calorie content and take care to make our food as healthy as possible." Sainsbury's is typical in that its own brands cover everything "from sausages to saucepans", and it also has several different tiers of sub-brands. A customer looking for a litre of orange juice, for example, can choose from a variety of different options, from the 62p 'Basics' product to its 'Taste the Difference' freshly squeezed juice at £2.49.

And it is no longer the case that a store's own products are always the cheapest available. Items in the top tier of a supermarket's sub-brands are sometimes more expensive than the market leaders. Across the Atlantic, it is a similar story at membership retailers such as Costco, as well as grocery stores. "Costco has a large line of proprietary products that are unique to them and typically exceed the national brand standards in many ways," John A Clifford of Merchant and Gould in Minneapolis explains. "They do this to appeal to their typical shopper, who sometimes wants something more than the ordinary. That strategy is not about being a cheap alternative. It is about having products that are worth a special trip to the store in order to buy them."

While stores continue to offer budget items, the trend for more exclusive products looks set to continue. Back in the United Kingdom, Sainsbury's launched or improved 9,000 own-brand products over the past two years, and reports that customers are purchasing from all ranges.

Win-win for supermarkets

The continuing growth in the sector suggests that customers are



“The packaging is getting more and more sophisticated and attractive to make consumers believe that the brand must be endorsed by the genuine manufacturer, because they come so close in the shape and the get-up of the whole packaging.”

Jean-Pierre Maeder, Nestlé

happy to see more private-label products on the shelves (assuming that they are making an informed choice rather than mistakenly buying private-label goods). Meanwhile, supermarkets are leveraging the advantages presented by this burgeoning new channel.

Matthias Queck – a research director at Planet Retail, with particular expertise in private label – explains the reasons behind the recent trend. “Private-label growth is very much due to cross-fertilisation, or an upward spiral: with retailers pushing private labels, shoppers are buying them more often, which motivates other retailers to extend their ranges as well,” he says. “It’s the retailers which are interested in driving private labels sales, since it allows them to offer more profitable products (at least in many cases), strengthen their retail brand, create an additional USP, keep brand manufacturers in check and control the entire supply chain. It’s just a reflection of a general shift in the balance of power from the manufacturer to the retailer.”

Clifford agrees that the growth of private label has been great news for the supermarkets: “There are two things that retailers are keenly interested in – customers and profits. Private label helps them to attract both: as well as making more money per item, store brands can be offered as exclusive lines to bring customers through the door.”

“Most stores will handle the national brands,” he continues. “You are not going to distinguish yourself for a bottle of Heinz ketchup, unless you have the best price.”

Confusing consumers

And as the range and quality of store bands have improved, so too

has the packaging. “The ‘cheap alternative’ strategy reached its heyday here in the United States about 35 years ago,” explains Clifford. “Generic products were sold in white packages with black print proclaiming only the generic name for the item, such as ‘BEER’ or ‘MACARONI & CHEESE’. These items were really cheap – sometimes half the branded item price. The generics had a good run for a number of years, but have mostly disappeared.”

Today, a basket full of private-label groceries would not look very different from one containing only leading brands. And while it makes sense for the appearance of own-brand products to have become more sophisticated to reflect the wider range and higher quality on offer, some retailers have chosen to dress their products in a way that is quite similar to the market leaders. Unsurprisingly, brand owners are not always happy about this development.

“It is unfortunately a growing trend,” says Jean-Pierre Maeder, group head of brand IP at Nestlé. “Lookalikes are enticing consumers more and more; this is also due to aggressive price and product positioning strategy. They are taking advantage by launching their own private labels which come as close as possible to the number one brands.”

Nestlé owns some of the world’s most successful food and beverage products and has 29 ‘billionaire brands’ – many which are targeted by private-label producers. Its key concern is that consumers can get confused when the packaging is too similar. Either they assume incorrectly that the private-label product comes from the same manufacturer, or they inadvertently pick the wrong item from the shelf. As Richard Burton from D Young and Co in Southampton puts it: “Behind the scenes there appears to be an ongoing battle between brand owners and supermarket chains, and customer confusion is at the very heart of it.”

How far customers are confused by similar packaging, and the effect that this has on their choices, is a bone of contention. A recent survey conducted by the British Brands Group revealed that shoppers took longer to recognise a leading brand when a lookalike product was stacked alongside it. So it seems that Nestlé is right to be concerned. “The packaging is getting more and more sophisticated and attractive to make consumers believe that the brand must be endorsed by the genuine manufacturer, because they come so close in the shape and the get-up of the whole packaging,” says Maeder.

But in the case of blatant copycats, brand owners can rest assured that justice will likely prevail, in the United States at least. “Courts are pretty good at determining whether someone has bad intent when designing a package,” Clifford says. “The US courts are no stranger to trade dress infringement, or even product configuration infringement cases. A winning case can be proven. Proof is generally available with consumer surveys and evidence of actual confusion.”

Goodwill hunting

Where things get more complicated, however, is when the competing products are not overly similar. “A common problem arises where a lookalike clearly brings the brand to mind, but does not actually cause confusion,” Burton says. “In this case, brand owners will often need to rely on their reputation in the marketplace. The extent to which they can use their reputation to prevent goods from entering the marketplace where there is no likelihood of confusion is a topical and widely debated issue.” In these cases, the concern is that the private label product is capitalising on the goodwill that has been built up by the original brand. “We are seeing more cases and even more complex cases too,” Maeder says. “They see how far they can go, and sometimes these are not clear-cut cases.”



“Private-label growth is very much due to cross-fertilisation, or an upward spiral: with retailers pushing private labels, shoppers are buying them more often, which motivates other retailers to extend their ranges as well. It’s just a reflection of a general shift in the balance of power from the manufacturer to the retailer.”

Matthias Queck, Planet Retail

A spokesperson for another food and beverage company describes some of the particular difficulties that leading brands experience in this area: “It’s difficult, without consumer confusion, to succeed in legal proceedings. A retailer would argue that nobody would be confused between Kellogg’s Cornflakes and Retailer XYZ Cornflakes, even where the look and feel of the products is otherwise practically indistinguishable. Therefore, if a retailer can demonstrate that people are aware that a private-label product is just that, it’s difficult to succeed. Currently, a product is almost a victim of its own success, such that a lookalike product will not confuse people because the leading label is so readily identifiable. It’s quite the loophole.”

Leighton Cassidy of Field Fisher Waterhouse in London explains that in the United Kingdom, passing off cannot be claimed if there has been no misrepresentation. “The English courts are unlikely to find passing off where the packaging is very similar, but the lookalike clearly carries the supermarket’s own brand name, which is generally the case with lookalikes,” he says. “Therefore, in most cases customer confusion is notoriously difficult to prove.”

In such cases trademark counsel can cite unfair competition law, because the competing product is attempting to capitalise on the brand equity built up by the original product. Further guidance was provided on the issue in Europe by the 2006 Court of Justice of the European Union (ECJ) decision in favour of L’Oreal against imitation perfume manufacturer Bellure. “In *L’Oreal*, it was accepted that customers would not actually confuse the lookalike products with the brand owner’s goods,” Cassidy says. “Under the requirements of passing off, this claim

would have failed. However, as stated by the ECJ in *L’Oreal*, where a mark rides on the coat tails of a similar mark with a reputation, the resulting advantage from its use is to be considered as an unfair advantage.” But while this judgment may reassure brand owners in Europe, in other parts of the world proving confusion remains paramount.

The retailers’ side

While brand owners may look at private-label packaging with the copycat issue in mind, retailers insist that they have many different factors to consider when designing their products. For instance, reinforcing the identity of each sub-brand is a priority, so coherent branding across each tier is important. At Sainsbury’s, the appearance of in-store brands is determined by a number of factors, as its spokesperson explains: “The main drivers for packaging are protecting the product and providing the information that the customer needs, such as nutrition – we have multiple ‘traffic-light labelling’ – cooking or serving instructions and allergy advice. The sub-brand design that the product is to be part of – for example, ‘Taste the Difference’ – has a specific look and feel.”

Retailers can also reasonably argue that certain colourways are used as signifiers for particular products. It makes sense for products containing honey, for example, to have honey-coloured packaging. And because certain colours work better with the background shading than others, these colour combinations are more likely to be chosen. Sainsbury’s spokesperson explains how this is used in-store. “Signifiers will be used to help identify flavours, cuisines and, where applicable, the target demographic of that product” – for example, its range of children’s products is packaged appropriately.

Clifford, who has represented both private-label producers and brand-owners, has found this a particularly fierce battleground. “There are issues around colour harmony and issues around well-recognised flavour and colour combinations, such as red for meat, green for vegetables,” he says. Clifford has seen brand owners focus on such colour combinations in their complaints, as well as similarities including the same sized container, the same price point and even a net weight symbol on the front of the packaging.

The brand owners’ dilemma

But how best to tackle the lookalike problem when the alleged offender is also a customer? While the biggest consumer brands are certainly very powerful, Burton suggests that supermarkets are arguably in an even stronger position. “They stock both branded products and own brand products, some of which are deliberate lookalikes. Brand owners are therefore often in a precarious position and are forced to perform a balancing act between maximising sales through supermarkets and protecting and developing the goodwill they have built up in their brand.”

Considerable sensitivity is required when taking legal action against a supermarket’s copycat product. For while retailers are unlikely to refuse to stock a market leader, Clifford explains that there are other things that they can do to reduce its appeal. “They can put it on an undesirable shelf – say, right against the floor; they can never put it on the end cap; and they can reduce the number of facings from six to two – and sales will drop.”

Many of the best-known national and international brands have a reputation spanning decades, with the colour and shape of their packaging as well recognised as the actual brand name. Brand owners need to be able to protect the intellectual property tied up in all of these elements. At Nestlé, the trademarks team does not believe in going easy on lookalikes, regardless of whether the offending product comes from a retailer with which the company has a relationship. “The business side is one thing; our IP rights are another,” Maeder

The phantom menace?

Not all private label products include the retailer's name. Those which do not have been described as 'phantom brands', because no obvious clue is given that they are store brands. Matthias Queck from Planet Retail explains more about this side of private labelling.

"Historically, there have been two different traditions in private labelling when it comes to marketing and naming," he says. "One group has always used the retailer's name for its products." A good example of this is Tesco's three tiers of in-house sub-brands – 'Value', 'Tesco', and 'Tesco Finest'.

There are then the phantom brands, also called category brands or fantasy brands. "This has been popular for a long time in Germany, for example, especially at the grocery discounters such as Aldi and Lidl," Queck continues. "The reasons are obvious: as 90% of their ranges consist of private labels, it would look a bit odd if nearly all their products said 'Aldi' on them – surely an overkill of uniformity."

In the United States, customers can also buy such products, but the evolution has been slightly different, as Merchant and Gould's John A Clifford explains. "There is a tremendous history of many manufacturers which will offer a line of products under their own brand and will promise retailers that they will not sell to anyone else under that name in the area." This works well for the manufacturer, as unlike with other private label products, the retailer will be unable to take its custom elsewhere.

In the United Kingdom, however, phantom brands are a relatively new phenomenon, driven by the retailers. Tesco, for example, introduced a range of discount brands in 2008, including 'Country Barn' cornflakes and 'Trattoria Verdi' Italian foods. These were followed by high-end venture brands. "These venture brands had their precursors in discounters' 'fantasy brands', such as Aldi's Moser-Roth," Queck explains. "This is a gourmet chocolate brand introduced in 2005 that has become a real success story: a premium private label developed by Aldi's leading supplier with no reference to its private label roots." Tesco's venture brands selection includes Chokablok ice cream – a brightly packaged product that is more expensive than its Finest range, but still slightly cheaper than market leaders Ben & Jerry's or Häagen Dazs.



Tesco's venture brands selection includes Chokablok ice cream – a brightly packaged product that is more expensive than its Finest range, but still slightly cheaper than branded market leaders

This may prove a risky gambit, as customers could feel short-changed when they realise that what looks like a branded product is in fact a supermarket home brand. Of greater concern for trademark owners, however, is the fact that without the name of the store prominent on the packaging, there may be a heightened risk of customer confusion. Australian supermarket Coles offers a Maxx Blonde beer that is similar in appearance to the market-leading low-carb Pure Blonde from Carlton & United Breweries, and Maxx Dry, which uses the same colour packaging as the popular Tooheys Extra Dry lager; neither is branded with the name of the supermarket. Trademark counsel responsible for market-leading products should pay heed to the future development of these phantom brands.

says. "We go about defending our IP rights which we have built up with a huge goodwill; we have to defend these rights."

While Nestlé has developed internal policies to guide trademark counsel in such disputes, each incident is assessed on a case-by-case basis. Ezio Bonaccorso, Nestlé's senior brand IP counsel, warns of the dangers of complacency: "Other competitors will take advantage if we have been tolerating lookalikes. It's not just a matter of retailers; it's also a matter of main competitors – we would be setting a bad precedent in the market. So we definitely need to defend our rights."

Cassidy agrees that action should be taken, and sooner rather than later. "We would advise that brand owners be responsive when a lookalike enters their market," he says. "It has been known for lookalikes to access the market inconspicuously in order to evaluate whether the brand owner is likely to take action against them. As soon as the brand owner is made aware of the lookalike, it should act. Failure to act may lead to the damaging situation where the infringer brings out several lookalikes into the brand owner's marketplace, diluting its brand and giving rise to claims that the brand owner's get-up or trade dress has become generic."

Clifford, meanwhile, suggests that a more delicate approach is required, and that companies should not risk losing their biggest customer by taking aggressive action. Relatively few disputes over lookalikes actually make it to the courtroom, which perhaps suggests that compromise and negotiation between the two parties remain the best ways to resolve matters.

This is borne out by a food and drink industry spokesperson, who explains that disputes are not entered into lightly. "From a policy perspective, companies are likely to take action only where there is a serious issue and they are serious about pursuing it. Companies would be unlikely to challenge a retail partner over a frivolous matter. Policies

on how to deal with all these matters are updated all the time; it's an ongoing conversation for all manufacturers."

Location, location

Trademark counsel at international brands have an added headache because the approach needed will vary depending on location. "In many jurisdictions where unfair competition law is quite well developed, it is easier to stop these practices," Maeder explains. "While in other countries – such as in Asia or in common law countries – you need a lot of evidence and surveys, and it is a bit more complicated to get an injunction. In countries where unfair competition law is not well developed, we have to register the whole packaging to get a better basis on the trademark side."

In Europe, however, unfair competition law gives brand owners another option, particularly in more subtle cases. But even here, problems with consistency can arise, as Cassidy explains: "Other EU member states have traditionally had more developed unfair competition laws compared to the United Kingdom. The UK Intellectual Property Office (UKIPO) and the English judiciary seem reluctant to grant an overprotective monopoly in trademark rights."

What the future holds

The onward march of private label is clearly a significant concern for leading brands across the globe. Could the day come when market-leading products are squeezed out of the supermarkets altogether, while in-store brands and 'phantom' products dominate the shelves? This worst-case scenario is unlikely, as there is a natural point at which saturation occurs. Terry Leahy, who was chief executive of Tesco when it became the United Kingdom's biggest retailer, estimates this level at around 30% to 50%, depending on the store

Sainsbury's premium range has seen sales growth of nearly 9% as the supermarket chain targets high-end purchasers



While this may afford brand owners some consolation, the prospect of half of a store's shelf space being dedicated to private-label goods illustrates the potential extent of the challenge that lookalikes pose.

The myriad complex issues surrounding private-label and lookalike products are unlikely to be resolved any time soon. However, considerable research is being done on the subject. In addition to the British Brands Group study previously mentioned, surveys have recently been carried out by the European Commission and Hogan Lovells, while the UKIPO is also investigating parasitic copying.

These should add to the understanding of the subject and provide trademark counsel with additional evidence to draw upon in future disputes. In the meantime, the tension between private-label and branded goods will doubtless continue, particularly as supermarkets expand their product offerings and bring the challenge to new sectors. [WTR](#)

Helen Sloan, *World Trademark Review*

**Luiz[®]
Leonardos
& Cia**

Successors of
**MOMSEN
LEONARDOS
& CIA**

Intellectual Property

- Patents
- Trademarks
- Industrial Designs
- Full Availability Searches
- Domain Names
- Computer Software Protection
- Information Technology Law
- Geographical Indications
- Plant Varieties

- Copyright and Publicity Rights
- Combating Piracy
- Confidentiality/Trade Secret Agreements
- Licensing/Franchising/Transfer of Technology
- Food and Drug Law
- Antitrust and Competition Law
- Unfair Competition
- Litigation
- Full IP Consultancy



www.llip.com.br | llip@llip.com.br
 Rua Teófilo Otoni 63 | 10th floor | Rio de Janeiro | Brazil | 20090-080
 T. +55 21 3514 0400 | F. +55 21 3514 0401

